



兆豐金控
Mega Holdings

4Q/2018 Analyst Meeting

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Operation Highlights & Strategic Focus



Financial Performance



Operating Performance

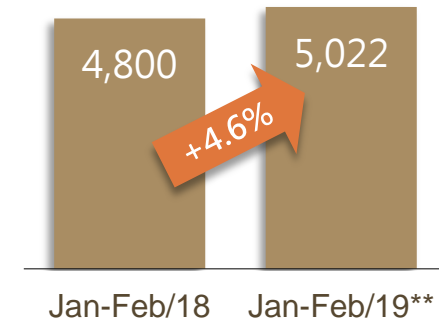
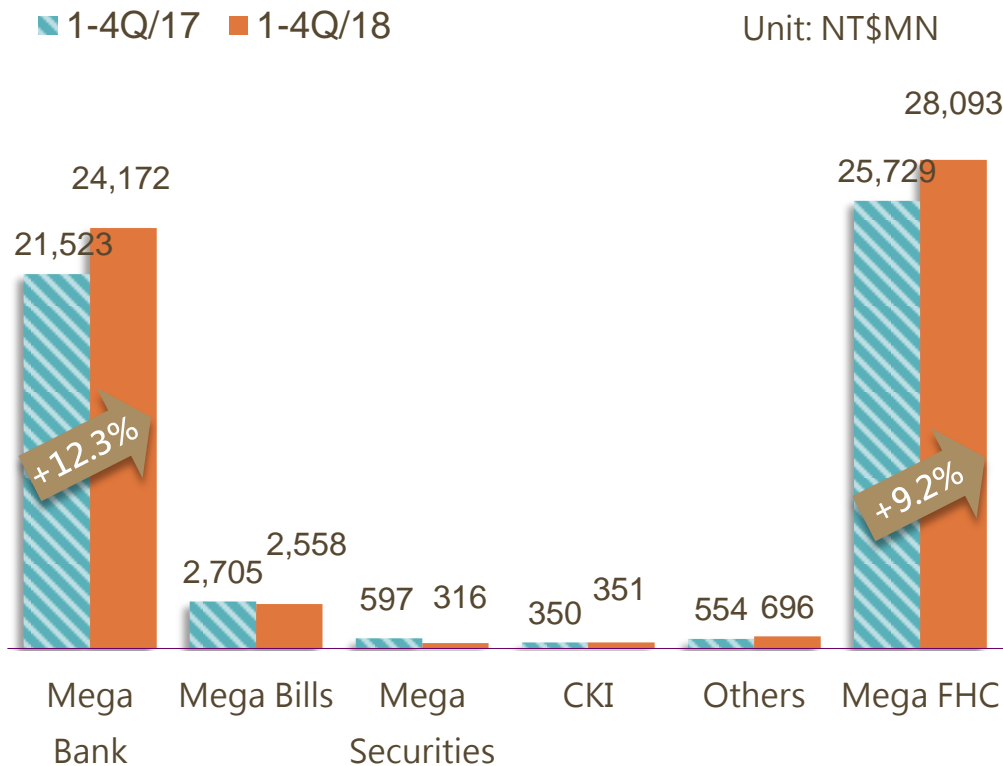


Appendix

Group earning was up 9.2%YoY; bank earning was up 12.3% YoY

Mega FHC & Subs. 1-4Q/18 earning trend

Mega FHC Jan-Feb/19 earning trend

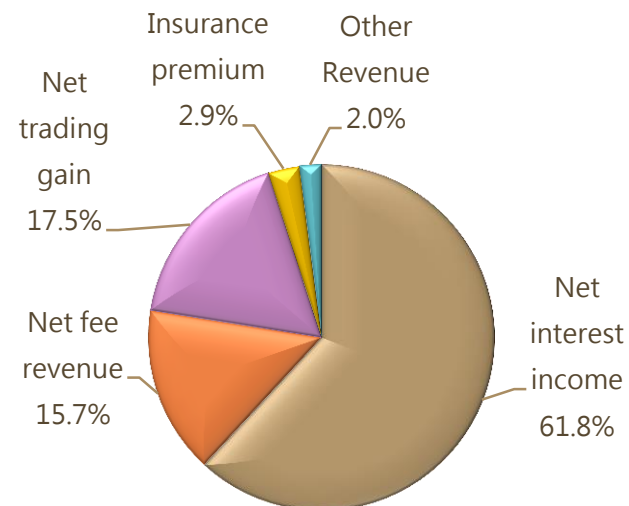
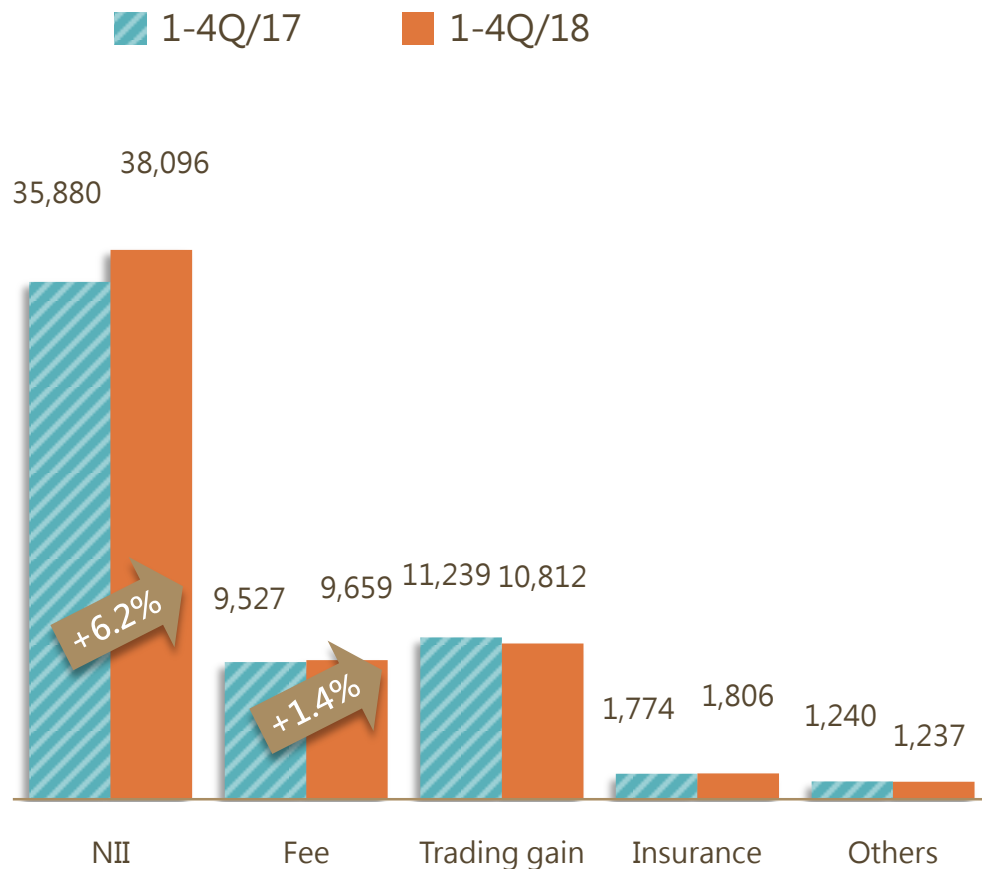


* 1-4Q/18 are audited figures.

Group NII was up 6.2% YoY; fee was up 1.4% YoY

Mega Group consolidated net revenue *

Mega Group 1-4Q/18 net revenue breakdown



* 1-4Q/18 are audited figures.

Strategic focus for 2019

Strategic Focus for 2019

Operation

Increase consumer banking exposure; review P&C insurance product mix; add more consumer banking focus branches; strengthen US and ASEAN operation.

NIM

Bank: Increase bank FX loan; defend asset yield; push up demand deposit %; Bills: increase secondary market funding source.

Fee

Bank: strengthen WM, credit card & syndication loan fee; increase brokerage fee, fund mgmt fee and etc.

Trading

Bank: strengthen FX bond & swap trading; Bills: lead the bond trading biz; Securities: enhance prop trade; P&C: manage asset mix to increase yield.

Risk

Bring up the group risk mgmt culture and capability; in-corporate the risk mgmt practice into daily operation.

Compliance

Focus on compliance, AML, internal control, by reviewing the corp. structure, system and operation; strive to achieve the best practice.

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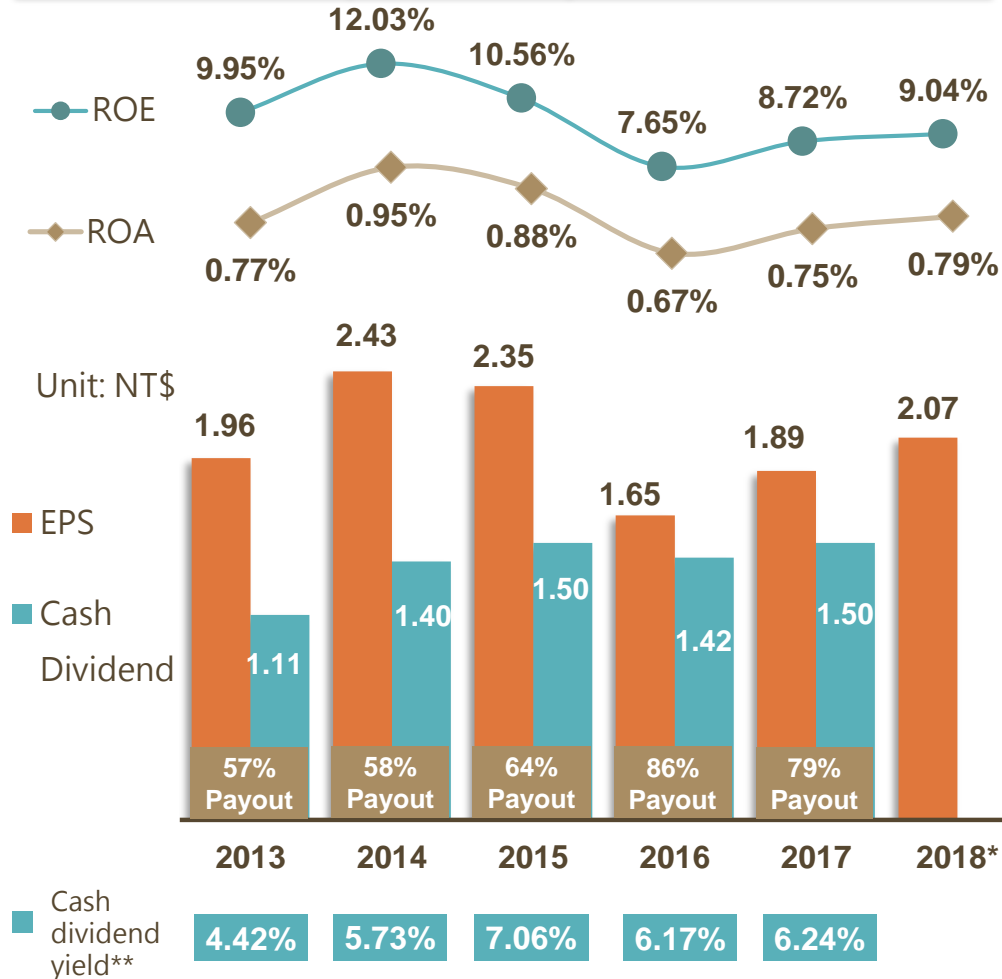
Operating Performance



Appendix

Profit recovered further; dividend policy remained stable.

Key Profitability Ratios



To prevent over-inflated capital base as well as to maintain sufficient capital for future growth, our dividend policy is:

- ❖ Maintain high payout ratio
- ❖ At least 50% of dividend payout in cash form.

* 2018 are audited numbers; 2018 ROE was calculated based on IFRS9 adjusted equity number.

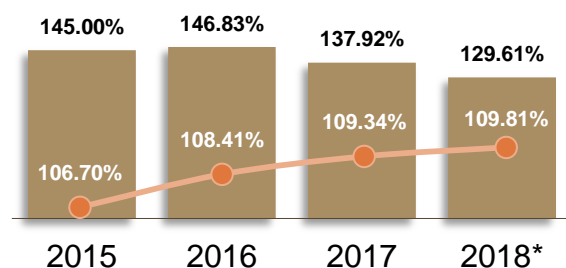
** Cash dividend yield = cash dividend / last trading day share price of that year

Strong tier 1 capital

Mega FHC

Moody's: A3

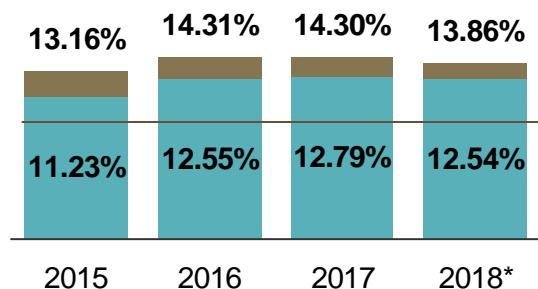
Requirement: 100%



Mega Bank

Moody's: A1 / S&P: A

Requirement: CAR: 9.875%
Tier-1: 7.875%



CAR/RBC

Common equity tier 1 ratio

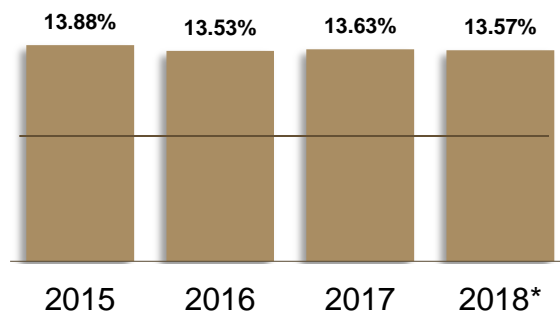
Credit rating

Double leverage ratio

Regulatory requirement

Mega Bills

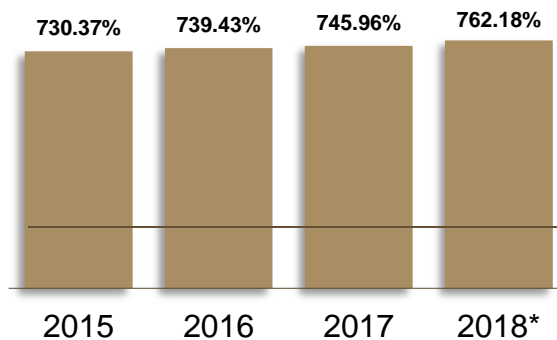
Requirement : 8.0%



CKI P&C

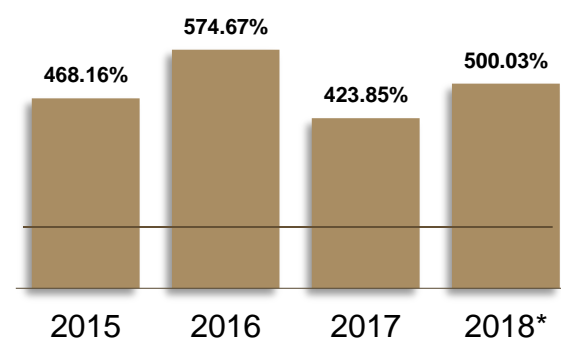
Moody's: A3 / S&P: A-

Requirement: 200%



Mega Securities

Requirement : 150%



* 2018 are audited numbers

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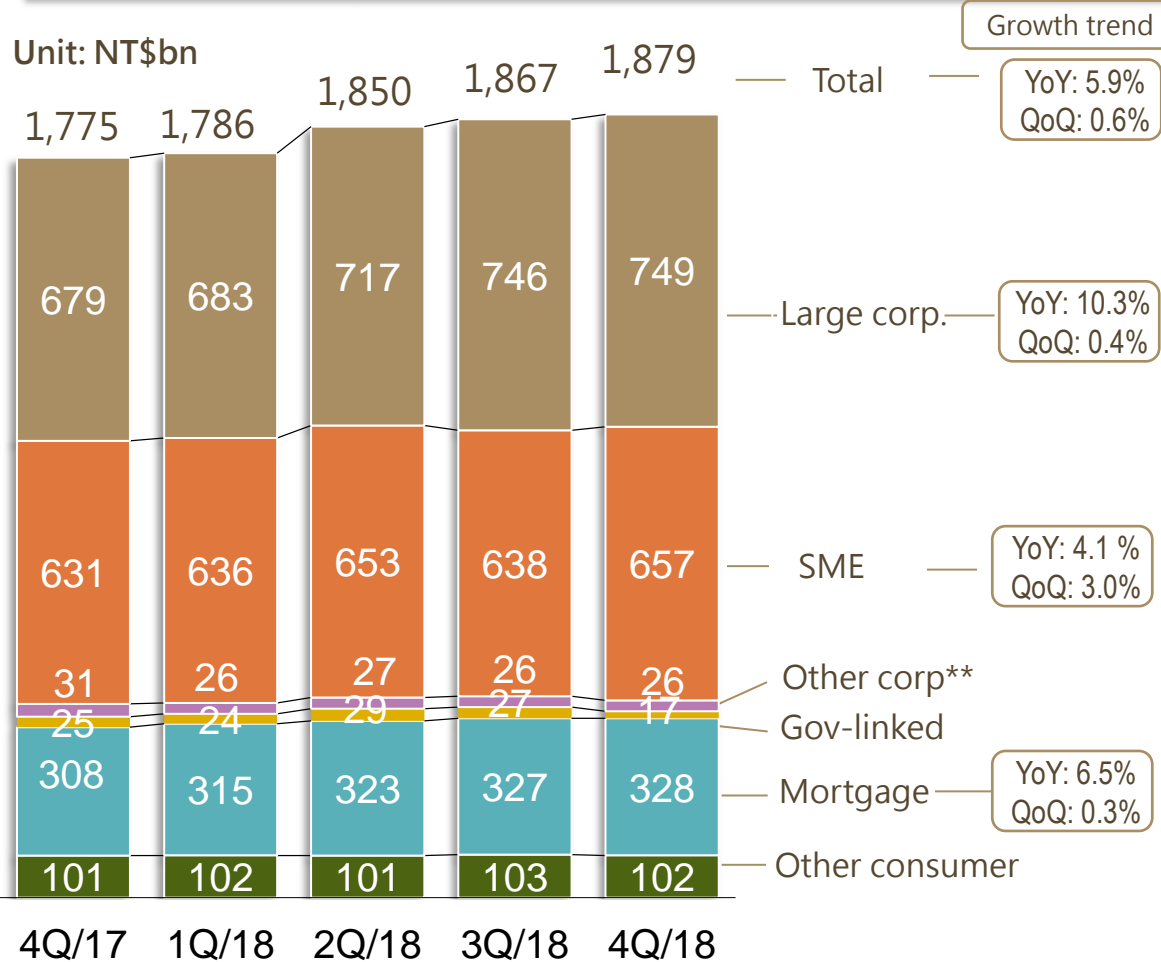
Operating Performance



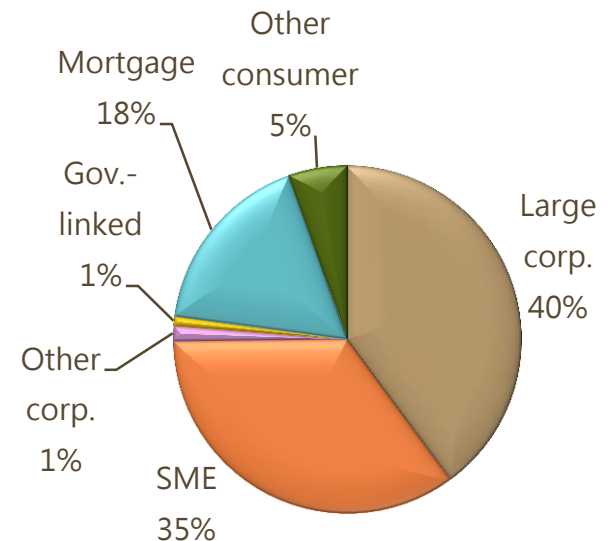
Appendix

Loan was up 0.6% QoQ & 5.9% YoY, driven by corp. loan demand

Mega Bank quarterly loan balance*



Mega Bank 4Q/18 loan breakdown



* Mega Bank quarterly end balance, internal numbers; includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** Includes Gov-linked Non-Profit Organization and etc.

Manufacturing, service and consumer loans growth outperformed the rest last year

Mega Bank loan balance trend by industry*

Unit: NT\$BN

■ 4Q/18

▨ 3Q/18

▤ 4Q/17

Growth trend

YoY: 12.5%
QoQ: 2.9%

YoY: -3.9%
QoQ: -1.3%

YoY: 2.7%
QoQ: 0.0%

YoY: 5.3%
QoQ: 1.4%

YoY: 7.3%
QoQ: 0.0%

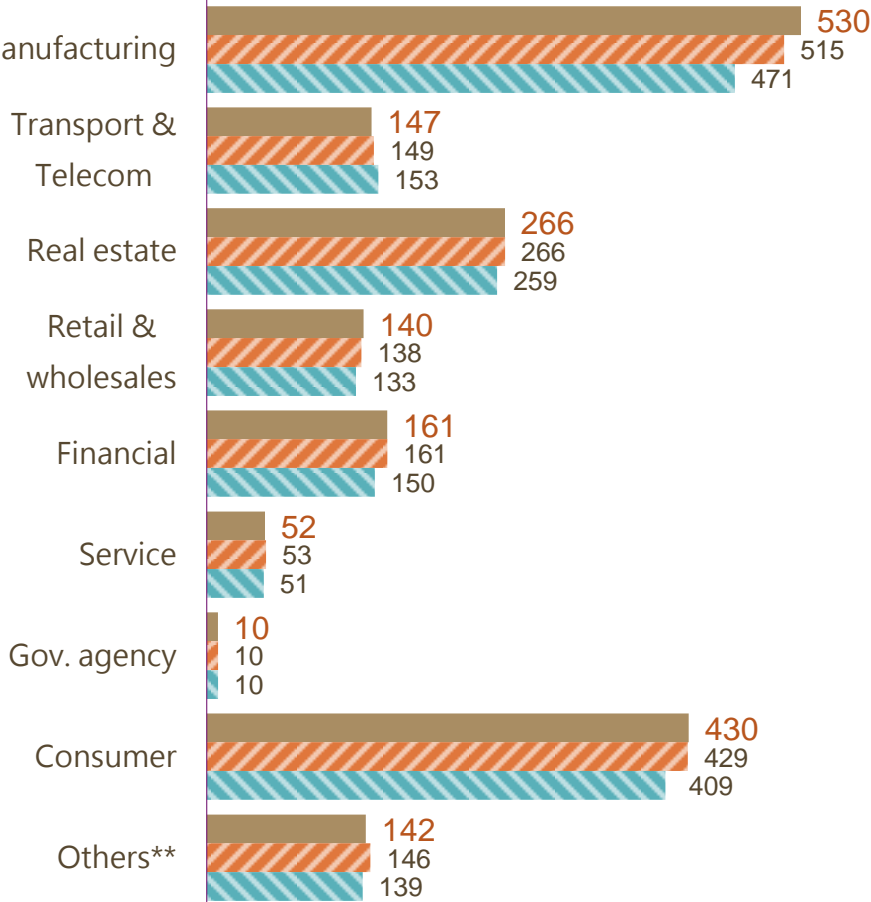
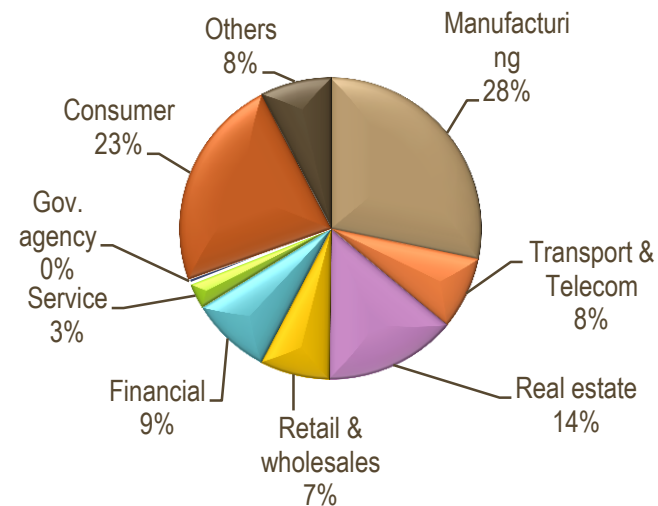
YoY: 2.0%
QoQ: 1.9%

YoY: 0.0%
QoQ: 0.0%

YoY: 5.1%
QoQ: 0.2%

YoY: 2.2%
QoQ: -2.7%**

4Q/18 loan breakdown by industry*



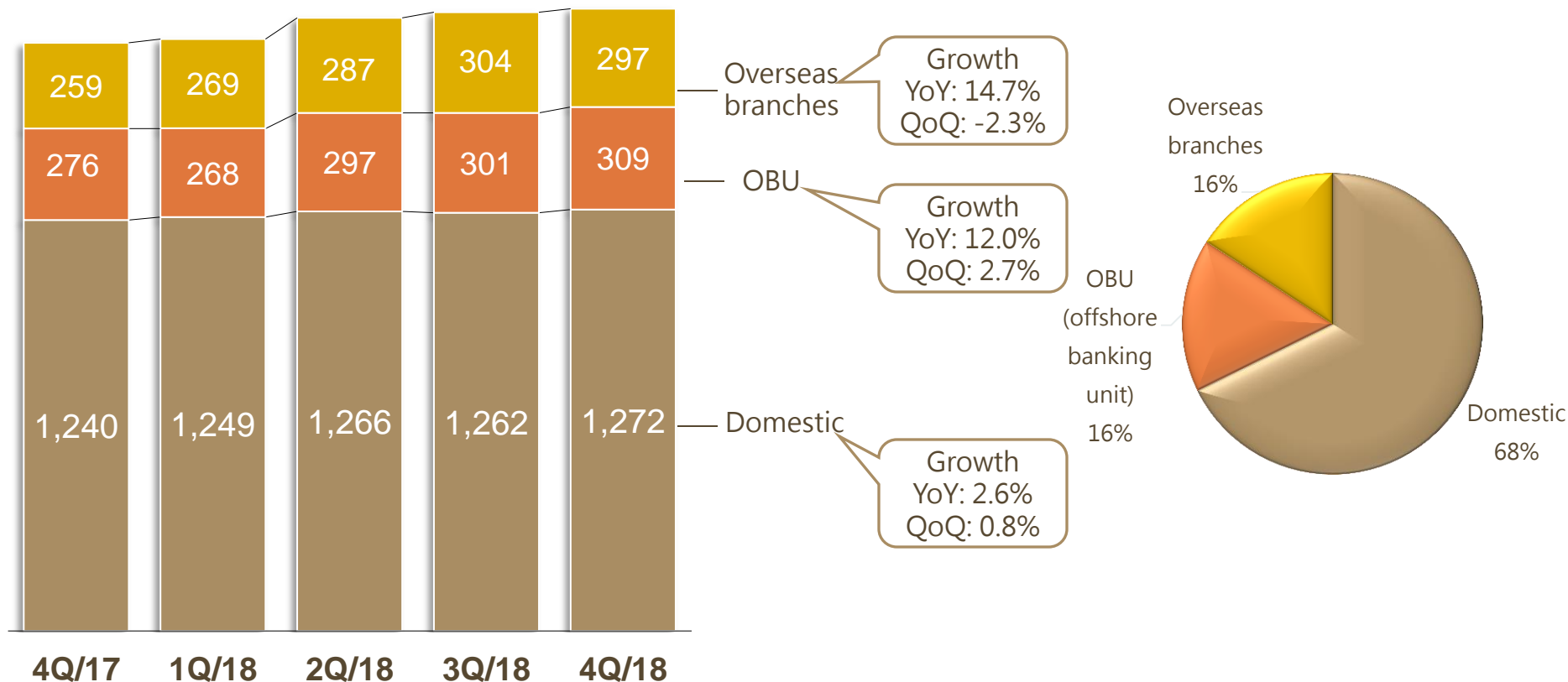
* Mega Bank internal numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** Main component for "Other Industry": leisure (hotel & restaurant) industry

OBU loan was up 2.7% QoQ

Mega Bank 4Q/18 loan breakdown by regions *

單位: NT\$bn



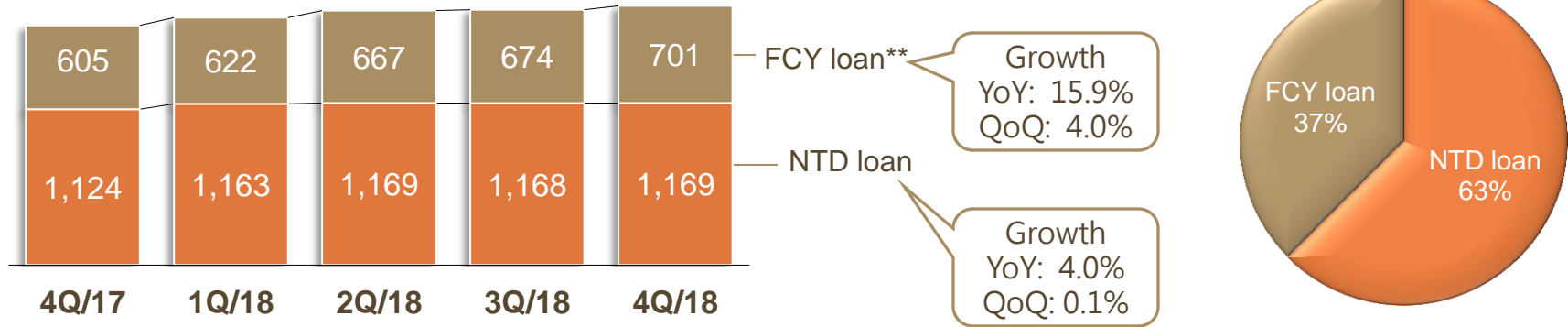
* Mega Bank quarterly end balance, internal numbers; includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee

** OBU stands for Off-shore Banking Unit

USD loan was up 4.4% QoQ & 12.4% YoY

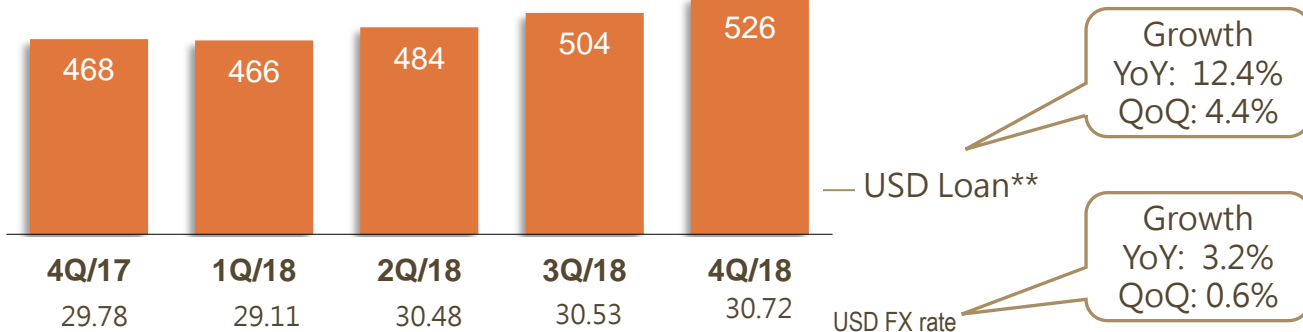
Mega Bank loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance*

Unit: NT\$bn



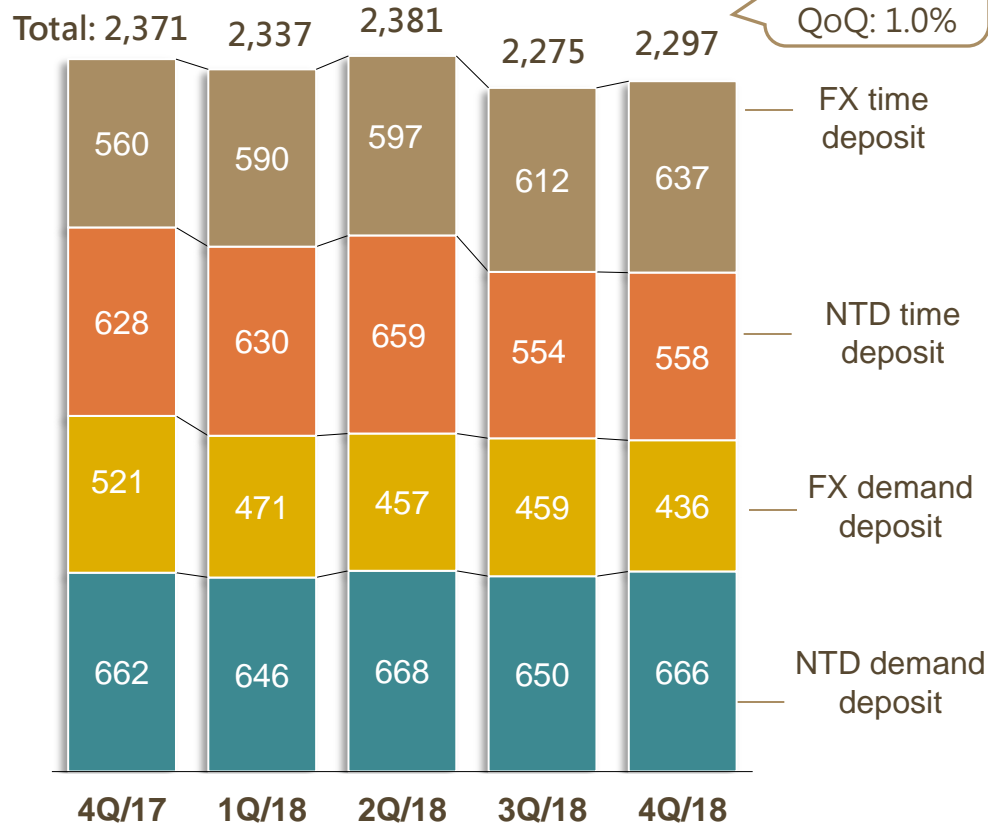
* Mega Bank quarterly average balance, internal numbers; includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

** Foreign currency and USD loans include OBU, overseas branched and some domestic branched loans.

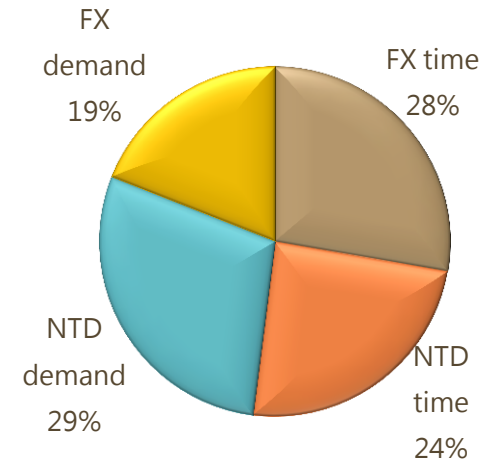
FX depositors were switching from demand to time deposit

Mega Bank deposit balance *

Unit: NT\$bn



Mega Bank 4Q/18 deposit breakdown

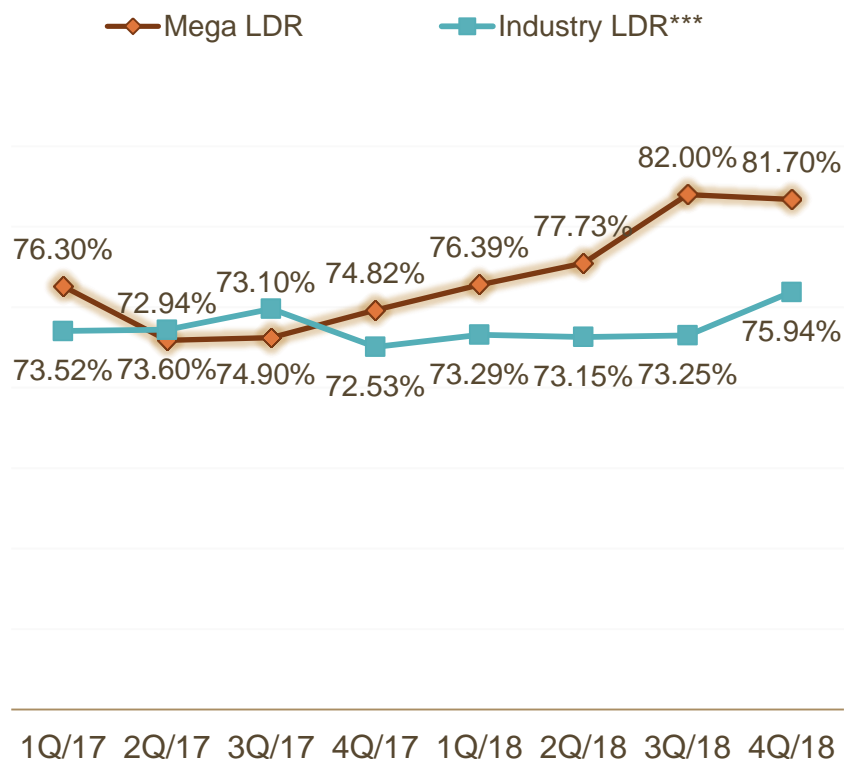


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit; internal numbers.

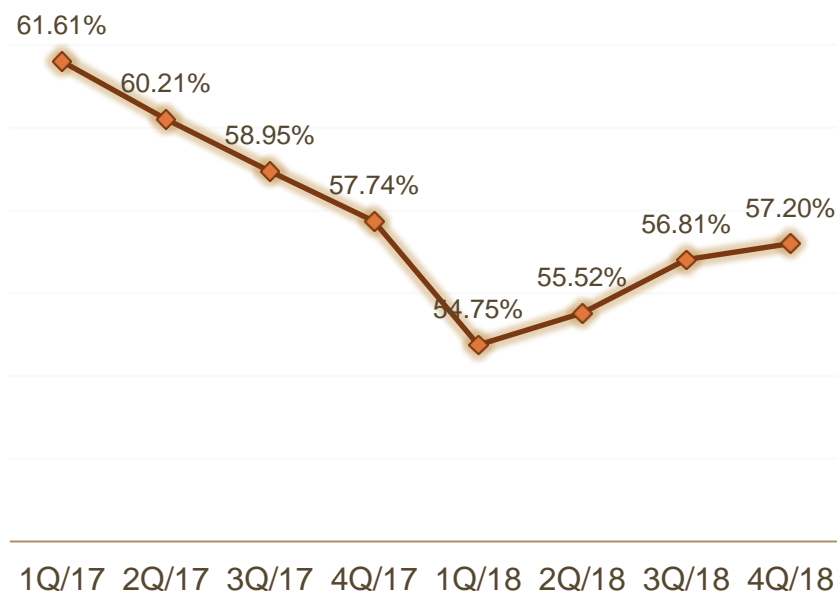
** Includes retail and corporate deposit but excludes due from central banks and banks

Overall LDR was flat; USD LDR remained low

Mega Bank's total LDR*



Mega Bank's USD LDR**



* Total LDR calculation is based on loan/deposit end balance

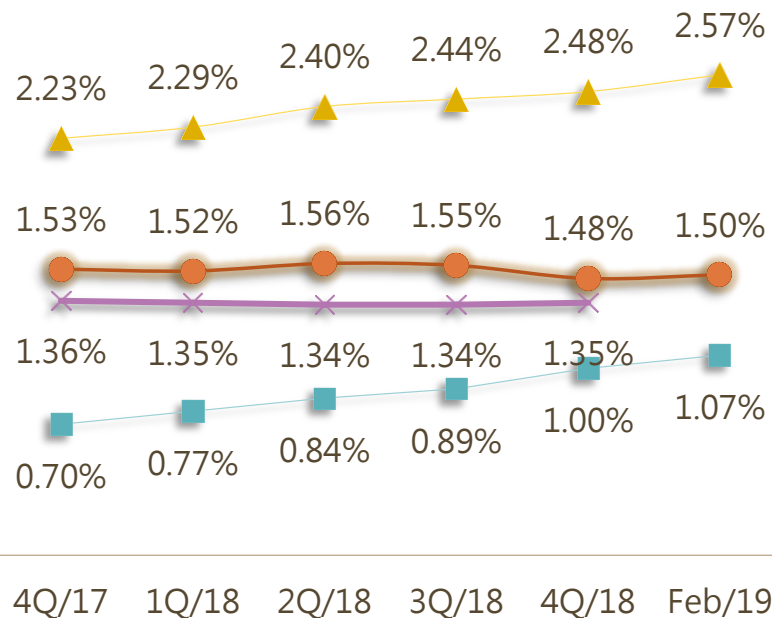
** USD LDR calculation is based on average loan/deposit balance of that quarter

*** Source: Central Bank of Taiwan

Spread was down in 4Q/18 due to higher FX deposit cost; Feb/19 spread stabilized

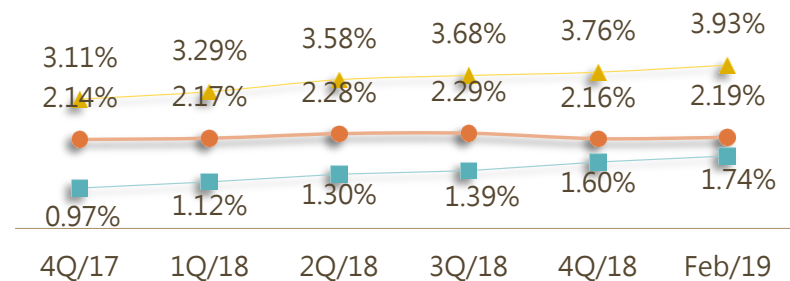
Mega Bank total loan interest spread*

—●— Spread —▲— Yield —■— Cost —×— Industry spread **



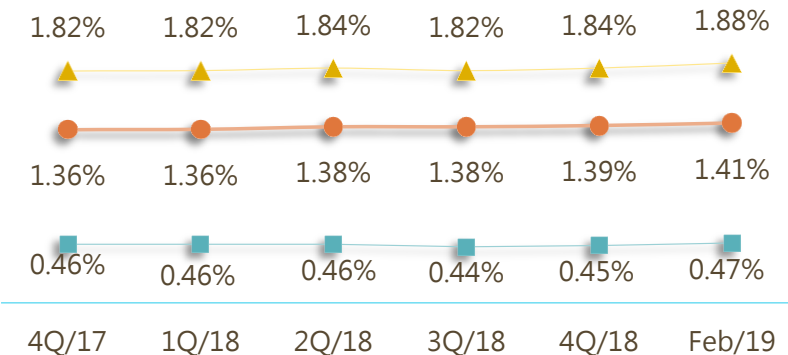
Mega Bank overseas loan interest spread*

—●— Spread —▲— Yield —■— Cost



Mega Bank domestic loan interest spread*

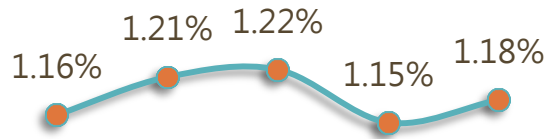
—●— Spread —▲— Yield —■— Cost



* Overseas loan includes overseas branches and OBU loan; internal numbers.

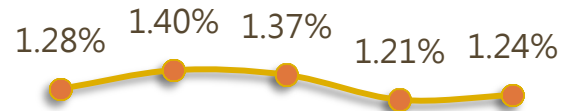
NIM was down in 4Q/18 due to higher FX deposit cost; Feb/19 NIM recovered

Mega Bank quarterly Total NIM*



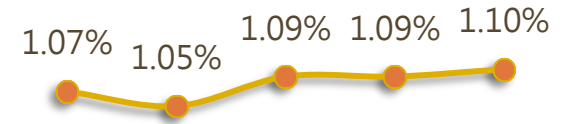
1Q/18 2Q/18 3Q/18 4Q/18 Feb/19

Mega Bank quarterly FCY NIM*



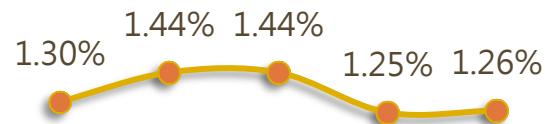
1Q/18 2Q/18 3Q/18 4Q/18 Feb/19

Mega Bank quarterly NTD NIM*



1Q/18 2Q/18 3Q/18 4Q/18 Feb/19

Mega Bank monthly USD NIM*



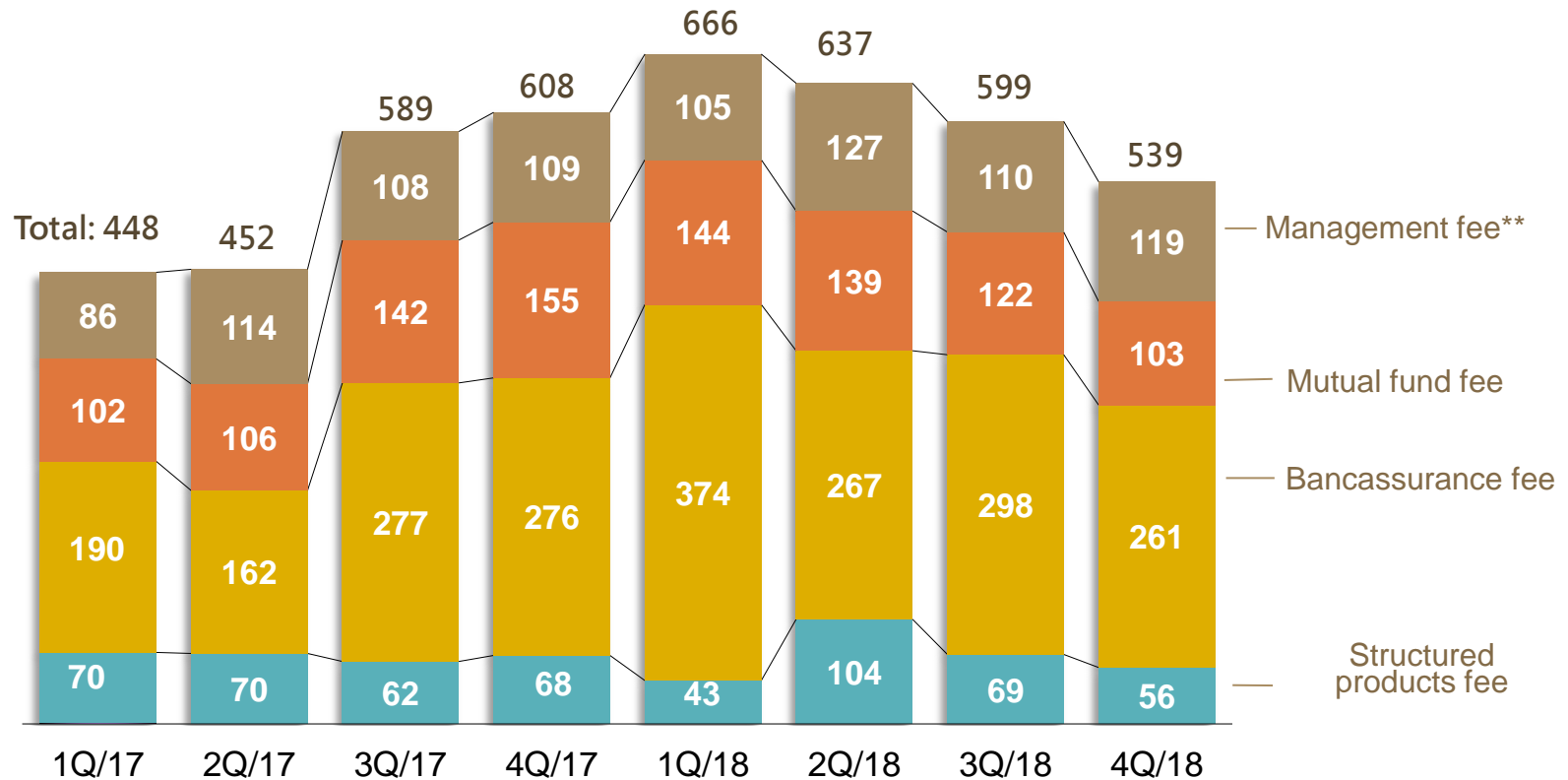
1Q/18 2Q/18 3Q/18 4Q/18 Feb/19

* NIM = annualized net interest income / average interest earning assets of that quarter; internal numbers.

4Q/18 WM fee was down due to volatility in equity market

Mega Bank wealth management gross fee breakdown*

單位: NT\$MN

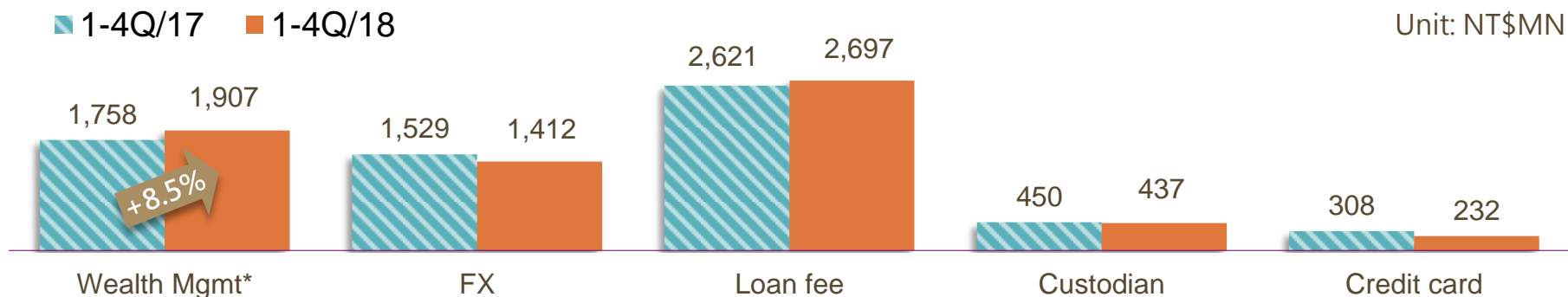


* Mega Bank internal data; gross wealth mgmt fee, NOT net wealth mgmt fee.

** Profit sharing scheme of fund mgmt fee and trust account mgmt fee.

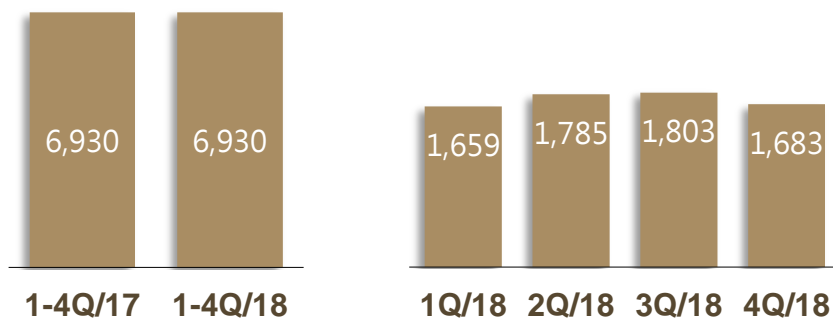
Bank WM fee was up 8.5% YoY

Mega Bank net fee breakdown

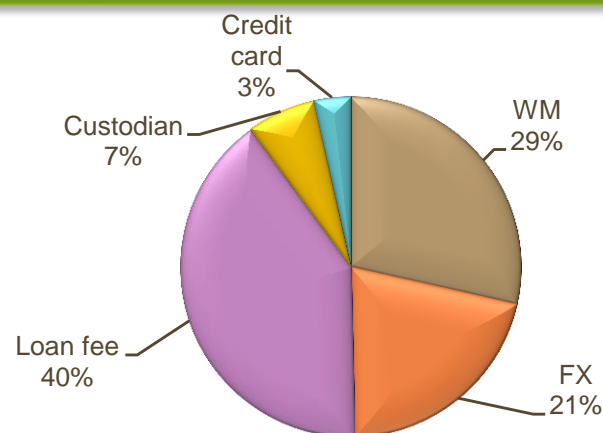


Mega Bank net fee

Unit: NT\$MN



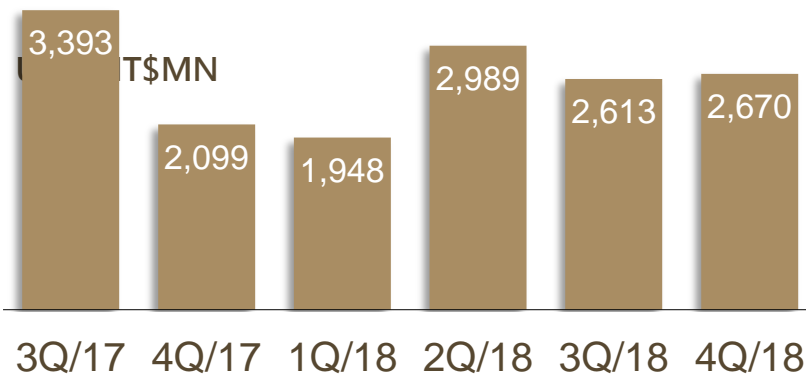
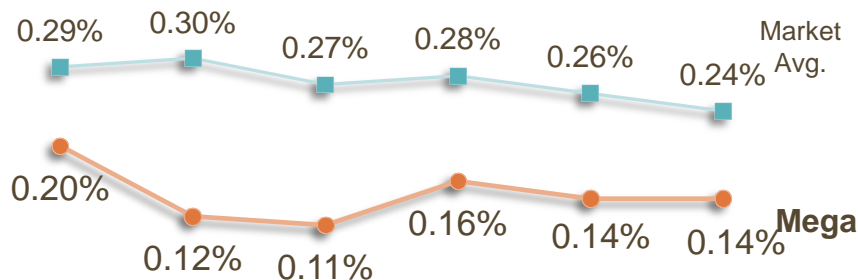
Mega Bank 1-4Q/18 net fee breakdown



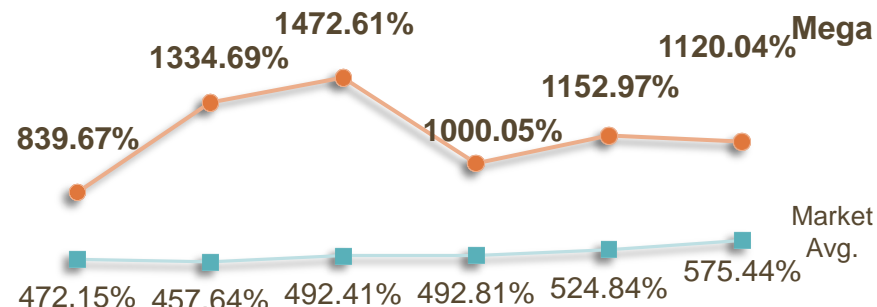
* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

Superior asset quality

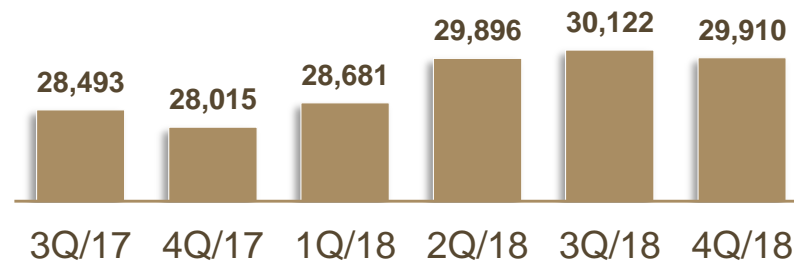
Mega Bank NPL balance & NPL ratio*



Mega Bank loan loss reserved and coverage ratio

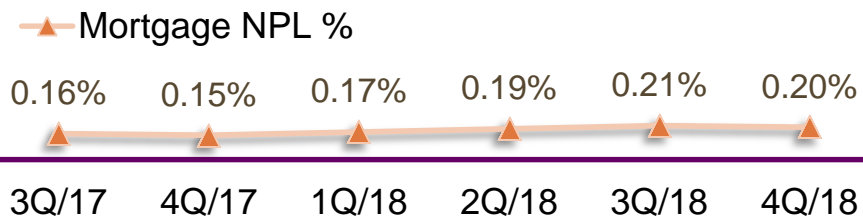
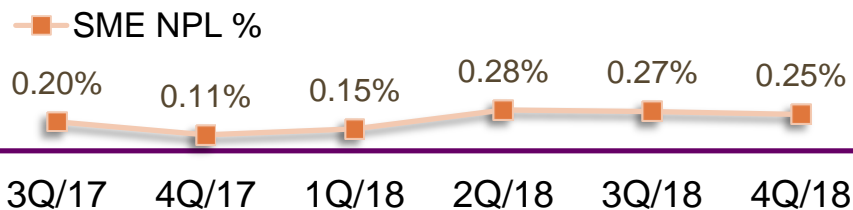
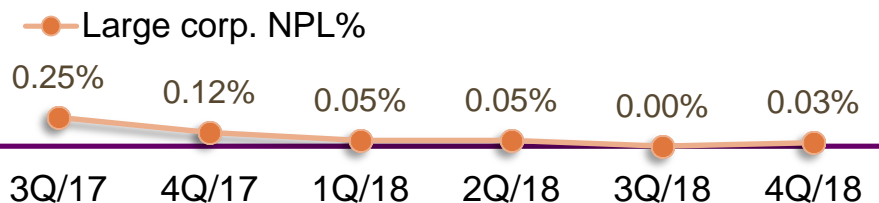


Unit: NT\$MN

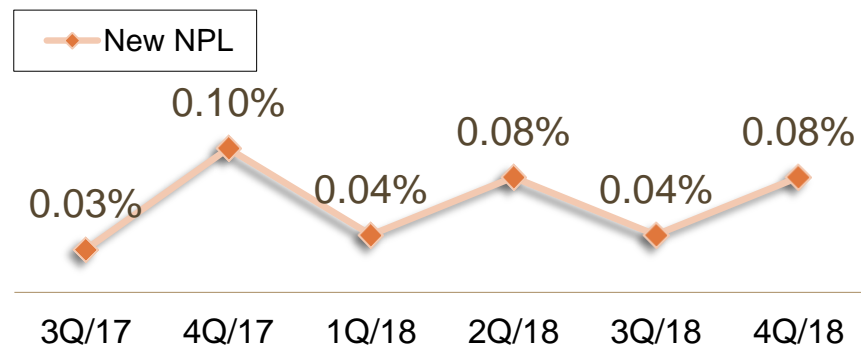


NPL figures remained stable

Mega Bank NPL ratio by customer *



Mega Bank new NPL as % of total loan *



* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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Appendix

1-4Q/2018 Mega FHC consolidated P&L statement

<i>NT\$MN, EPS:NT\$</i>	1-4Q/2018*	1-4Q/2017	YoY
Net interest income	38,096	35,880	6%
Net fee revenue	9,659	9,527	1%
Insurance revenue	1,806	1,774	2%
Financial assets and liabilities at fair value thru P&L	6,270	7,588	-17%
Available for sales asset gain	-	1,919	-
Gain from fin. assets at fair value through other comprehensive income	1,567	-	-
Gain from debt investment measured by amortized cost	1	-	-
Equity method investment gain	189	212	-11%
Gain on reclassification under the overlay approach	112	-	-
FX spread gain	2,668	1,705	56%
Asset impairment loss (write-back)	-13	-203	-
Property gain	18	18	-2%
Other non-interest revenue (net)	1,237	1,240	0%
Operating net revenue	61,609	59,660	3%
Operating expense	-28,602	-26,196	9%
Pre-provision operating profit	33,007	33,465	-1%
Provision expense on loan	-1,996	-4,337	-54%
Reserved on insurance	69	153	-55%
Pretax profit	31,080	29,280	6%
Tax	-2,987	-3,552	-16%
Net profit	28,093	25,729	9%
EPS (NT\$)	2.07	1.89	10%

* 1-4Q/18 are audited numbers.

1-4Q/2018 Mega FHC consolidated balance sheet

NT\$MN	1-4Q/2018*	1-4Q/2017	YoY
Assets:			
Cash and due from banks	643,895	711,067	-9%
Bills and bonds under RP agreement	2,623	2,553	3%
Fin. assets at fair value through P&L	196,201	191,582	2%
AFS financial assets	-	442,557	-
HTM financial assets	-	284,688	-
Fin. Assets at fair value through other comprehensive income	421,177	-	-
Debt instrument investment measured by amortized cost	272,926	-	-
Other financial assets	5,112	15,089	-66%
A/R, net	92,723	96,056	-3%
Loan, net	1,864,447	1,762,161	6%
Equity method LT investments, net	3,169	3,185	0%
Land, premises and equipments, net	23,474	23,678	-1%
Others	16,312	14,678	11%
Total assets	3,542,059	3,547,293	0%
Liabilities			
Due to banks	465,564	434,005	7%
Deposits	2,320,637	2,386,555	-3%
CP & Bond payable	29,230	51,835	-44%
Bills & bonds sold under repurchase agreement	252,298	237,706	6%
Other liabilities	160,075	139,096	15%
Total liabilities	3,227,804	3,249,197	-1%
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	102,575	94,869	8%
Equity adjustment items	7,475	-1,007	-
Minority shareholder interest	13	41	-69%
Total stockholders' equity	314,255	298,096	5%
Total liabilities and stockholders' equity	3,542,059	3,547,293	0%
Book value per share (NT\$)	23.11	21.92	5%

* 1-4Q/18 are audited numbers.

1-4Q/2018 Mega Bank consolidated P&L statement

NT\$MN, EPS: \$NT	1-4Q/2018*	1-4Q/2017	YoY
Net interest income	36,538	34,084	7%
Net fee revenue	6,930	6,930	0%
Financial assets and liabilities at fair value thru P&L	4,722	5,423	-13%
Available for sales asset gain	-	1,484	-
Gain from fin. assets at fair value through other comprehensive income	955	-	-
Gain from debt investment measured by amortized cost	1	-	-
FX spread gain	180	209	-14%
Equity method investment gain	2,652	1,926	38%
Asset impairment loss (write-back)	83	-205	-
Cost method investment gain	-	619	-
Other non-interest revenue (net)	352	-493	-
Operating net revenue	52,414	49,977	5%
Operating expense	-23,649	-21,329	11%
Pre-provision operating profit	28,765	28,648	0%
Provision expense on loan	-2,046	-4,345	-53%
Pretax profit	26,719	24,303	10%
Tax	-2,547	-2,780	-8%
Net profit	24,172	21,523	12%
EPS (NT\$)	2.83	2.52	12%

* 1-4Q/18 are audited numbers.

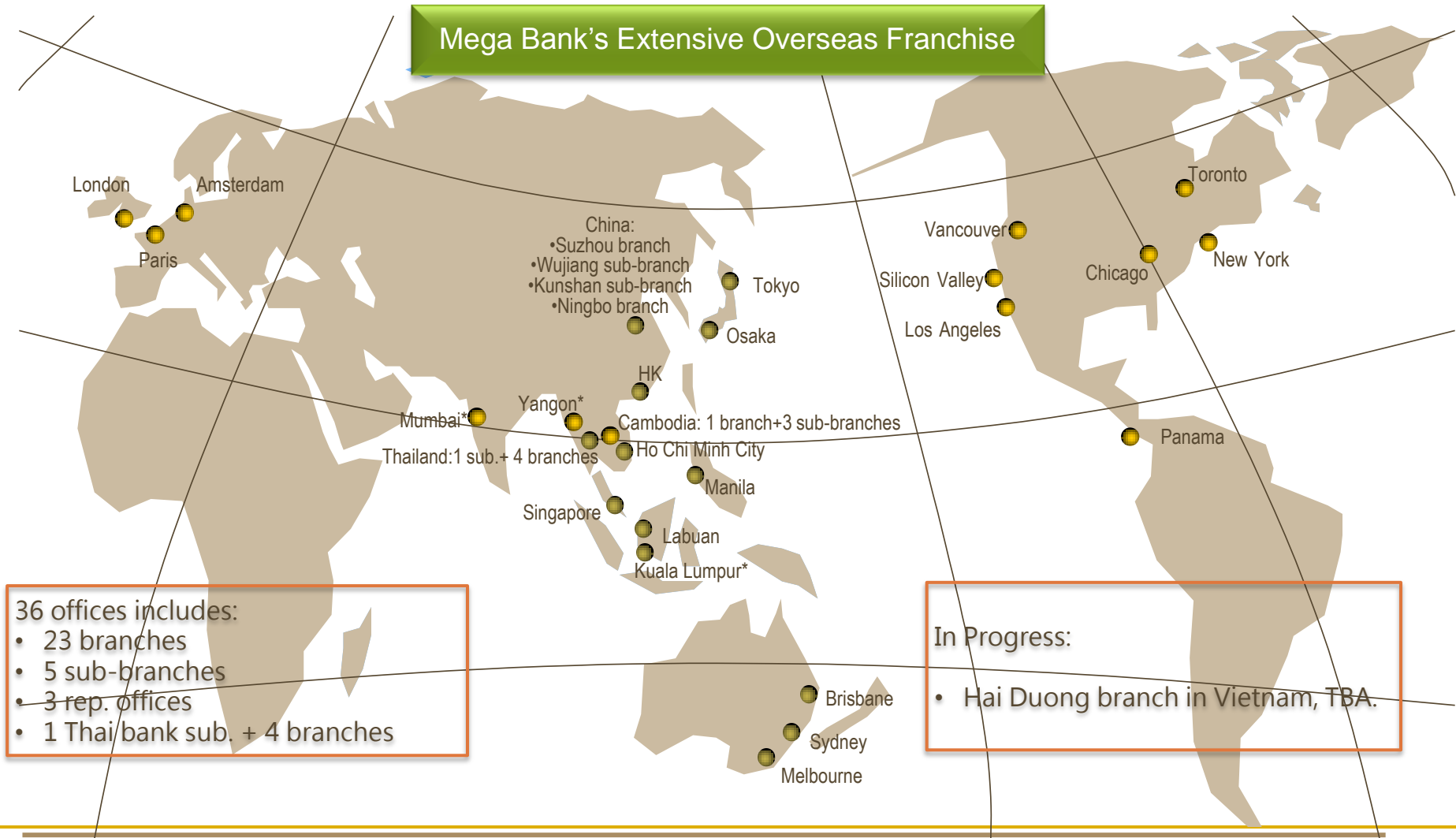
1-4Q/2018 Mega Bank consolidated balance sheet

<i>Unit: NT\$MN</i>	1-4Q/2018*	1-4Q/2017	YoY
Assets:			
Cash and due from banks	643,497	706,479	-9%
Bills and bonds under RP agreement	3,995	1,698	135%
Fin. assets at fair value through P&L	63,085	41,617	52%
Fin. Assets at fair value through other comprehensive income	263,822	-	-
Debt instrument investment measured by amortized cost	269,664	-	-
AFS financial assets	-	278,090	-
HTM financial assets	-	282,444	-
Other financial assets	31	9,338	-
A/R, net	60,754	59,207	3%
Loan, net	1,864,447	1,762,161	6%
Equity method LT investments, net	3,086	3,108	-1%
Land, premises and equipments, net	15,541	15,494	0%
Others (net)	9,664	8,554	13%
Total assets	3,197,585	3,168,188	1%
Liabilities			
Due to banks	448,583	404,447	11%
Deposits	2,322,579	2,389,236	-3%
CP & Bond payable	13,300	25,900	-49%
Bills & bonds sold under repurchase agreement	26,922	848	3074%
Other liabilities	103,340	83,874	23%
Total liabilities	2,914,724	2,904,305	0%
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	130,017	118,719	10%
Equity adjustment items	5,262	(2,418)	-318%
Total stockholders' equity	282,861	263,883	7%
Total liabilities and stockholders' equity	3,197,585	3,168,188	1%
Book value per share (NT\$)	33.14	30.91	7%

* 1-4Q/18 are audited numbers.

36 offices in 17 countries; 19 offices in “New South Bond Area”

Mega Bank's Extensive Overseas Franchise



* Yangon, Bahrain, Kuala Lumpur and Mumbai are rep. offices; Abu Dhabi rep. office was terminated in Dec/18.



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